



# Citizens Utility Board

309 W. Washington St., Suite 800, Chicago, IL 60606 **Phone** (312) 263-4282 **Toll Free** 800-669-5556 **Fax** (312) 263-4329

## **Reply Comments of the Citizens Utility Board on the**

## **ICC Workshop on Resource Adequacy in MISO Zone 4**

**December 21, 2017**

The Citizens Utility Board (“CUB”) thanks the Illinois Commerce Commission (“the Commission”) for the opportunity to participate in the December 7, 2017 Midcontinent Independent System Operator (“MISO”) Local Resource Zone 4 (“Zone 4”) resource adequacy workshop (“the workshop”) and to provide these post-workshop reply comments. CUB remains convinced there is no evidence of a resource adequacy problem in Zone 4 and offers the foregoing comments in response to questions and concerns raised in participants’ written comments and statements at the workshop.

As CUB’s pre-workshop comments illustrated, supply projections suggest there is no resource adequacy problem in Zone 4 through at least 2026.<sup>1</sup> Illinois consumers need not spend more money to address a problem that, for the time being, does not exist. Load growth projections remain flat, capacity resources are on pace to exceed target planning reserve margins, and ongoing Future Energy Jobs Act implementation will further bolster resource adequacy. Almost all of the parties commenting on this question agreed. The American Association of Retired Persons (“AARP”), the Office of the Attorney General of Illinois,

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<sup>1</sup> Citizens Util. Bd., Comments on the ICC Whitepaper on Resource Adequacy in MISO Zone 4 at 2–3 (Nov. 30, 2017).

Community Groups, Ameren, Direct Energy, Environmental Defense Fund, Environmental Law and Policy Center, Illinois Industrial Energy Consumers, MISO, Natural Resources Defense Council, and Sierra Club agree that there is no evidence of a resource adequacy problem in Zone 4.

- AARP: “Illinois and the region have a surplus of low cost power.”<sup>2</sup>
- Illinois Attorney General: “The state of resource adequacy in MISO Zone 4 is sound.”<sup>3</sup>
- Ameren: “[T]here are sufficient resources in the market today and sufficient resources are forecasted to be available in the market in the next 3-5 years.”<sup>4</sup>
- Community Groups: “The evidence demonstrates that there is no resource adequacy problem in MISO Zone 4.”<sup>5</sup>
- Direct Energy: “[T]here is no reliability issue in Zone 4.”<sup>6</sup>

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<sup>2</sup> Am. Ass’n of Retired Persons, Comments on the ICC White Paper Regarding Downstate Energy Resource Adequacy 1 (Nov. 28, 2017).

<sup>3</sup> Office of the Attorney Gen., Pre-Workshop Comments, Resource Adequacy in MISO Zone 4 at 1 (Nov. 30, 2017).

<sup>4</sup> Ameren Illinois, Pre-Workshop Comments on Energy Resource Adequacy 1 (Nov. 30, 2017).

<sup>5</sup> Community Groups, Comments on the Issue of Resource Adequacy in MISO Zone 4 at 1 (Nov. 20, 2017).

<sup>6</sup> Direct Energy, Comments in Response to the ICC Request for Information MISO Zone 4 at 4 (Nov. 30, 2017).

- Environmental Defense Fund: “The ICC’s own analysis acknowledges that there is no resource adequacy issue in the near term.”<sup>7</sup>
- Environmental Law and Policy Center: “There is no identifiable reliability crisis in Illinois today and there is little indication that one is coming in the near-term.”<sup>8</sup>
- Illinois Industrial Energy Consumers: “IIEC does not believe there is a resource adequacy problem in MISO Zone 4.”<sup>9</sup>
- MISO: “[T]he short-term resource adequacy outlook is positive for Illinois.”<sup>10</sup>
- Natural Resources Defense Council: “There is excess supply in Zone 4, and resource adequacy requirements will continue to be met through at least 2022 across the MISO footprint.”<sup>11</sup>
- Sierra Club: “MISO has not demonstrated a resource adequacy shortfall.”<sup>12</sup>

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<sup>7</sup> Env'tl. Def. Fund, Pre-Workshop Comments Regarding ICC MISO Zone 4 White Paper (Nov. 30, 2017).

<sup>8</sup> Env'tl. Law & Policy Ctr., Pre-Workshop Comments on Electricity Resource Adequacy in MISO Zone 4 at 1 (Nov. 30, 2017).

<sup>9</sup> Ill. Indus. Energy Consumers, Resource Adequacy in MISO Zone 4 Pre-Workshop Comments 3, 19 (Nov. 30, 2017)

<sup>10</sup> MISO, Comments for Local Resource Zone 4 Workshop 1 (Nov. 30, 2017).

<sup>11</sup> Natural Res. Def. Council, Pre-Workshop Comments 2 (Nov. 30, 2017).

<sup>12</sup> Sierra Club, Pre-Workshop Comments on Resource Adequacy in MISO Zone 4 (Nov. 30, 2017).

That being said, CUB agrees it is always prudent for MISO, its stakeholders, and the Commission to plan for the long-term reliability and resiliency of the electricity system. The Commission should continue to monitor resource adequacy as it develops over time, but it should not call for new policies that will raise rates unless monitoring reveals a problem that is nearer than the planning horizon and clear enough to see in the data. CUB sees no such issue from now until at least 2026 and therefore would oppose any action resulting in rate hikes.

### **Defining Reliability versus Resiliency**

A discussion of resource adequacy risks derailment and confusion unless the distinction between reliability and resiliency is made clear. As EDF noted,<sup>13</sup> the whitepaper conflates these two distinct concepts.<sup>14</sup>

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<sup>13</sup> “Throughout the whitepaper and in public discussions, Resource Adequacy gets conflated with Reliability, while grid operations and market mechanisms such as the MISO local clearing requirement clearly distinguish between the two.” Environmental Defense Fund’s Pre-Workshop Comments Regarding ICC MISO Zone 4 White Paper 5 (Nov. 30, 2017); *see also* Natural Res. Def. Council, Pre-Workshop Comments 11 (Nov. 30, 2017) (warning against any proposal to serve “ill-defined attributes of resiliency or reliability or resource adequacy”).

<sup>14</sup> *See* Memo from ICC Staff to Brien J. Sheahan, Chairman, Ill. Commerce Comm’n 4 (Nov. 1, 2017) [hereinafter “Whitepaper”].

The North American Electric Reliability Corporation (“NERC”) evaluates “reliability” according to a system’s consistency in serving load under typical circumstances.<sup>15</sup> In contrast, a system’s “resiliency” is measured by the system’s ability to guard against and recover from service outages and other unexpected shocks. In other words, reliability speaks to the system’s readiness for the ordinary; resiliency, for the extraordinary. It is important that the stakeholders—and the Commission—be specific as these important system characteristics are discussed. That way, stakeholders can discuss these two separate concepts and the nexus between them without ambiguity or talking past one another.

#### **Zone 4 Has Been Exceeding High Resource Adequacy Standards for Decades**

At the workshop and in their written comments, multiple stakeholders noted that there has not been a resource adequacy problem once in Illinois since MISO adopted competitive retail markets in 1997. This success is evident in Zone 4 having satisfied MISO’s target reserve margin year after year. The whitepaper touches on the process to calculate MISO’s planning reserve margin,<sup>16</sup> but a brief definition of the metric does not tell the whole story. It warrants a closer look to appreciate what an achievement it is that Zone 4 has consistently exceeded this standard for twenty years.

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<sup>15</sup> See N. AM. ELECTRIC RELIABILITY CORP., RELIABILITY STANDARDS FOR THE BULK ELECTRIC SYSTEMS OF NORTH AMERICA (2017), <http://www.nerc.com/pa/Stand/Reliability%20Standards%20Complete%20Set/RSCompleteSet.pdf>.

<sup>16</sup> Whitepaper at 3–4.

Pursuant to NERC standards, MISO's resource adequacy criteria require that the calculated loss of load expectation ("LOLE") be less than one day per ten years. To be clear, that does not mean system operators expect there to be less than twenty-four hours of load loss total per ten years. Rather, to meet this stringent reliability standard, system operators must expect less than one day per ten years for which peak demand exceeds available capacity. MISO calculates the planning reserve margin (available capacity in excess of forecast peak demand) necessary to ensure the bulk electric system satisfies the "one-in-ten" standard in spite of demand forecast uncertainty, planned maintenance, unplanned or forced outages, deratings, and weather fluctuations. The higher the loss of load probability ("LOLP") these factors threaten, the higher MISO sets the planning reserve margin requirement.

Zone 4 has exceeded the one-in-ten standard every year for twenty years. The system has not once failed to serve peak demand in this time. It would be unreasonable for NERC to impose a zero-in-twenty standard, yet Zone 4 has had zero loss of load events in twenty years. This long record of success underscores that the burden is on those who suppose MISO Zone 4 has a resource adequacy problem, and the available data suggests the opposite. There is no reason to conclude Zone 4's decades-long streak of serving peak load is at risk.

### **Existing MISO Policy Already Safeguards against Resource Shortfalls**

In their comments, generators Dynegy and Exelon insist that should any of the large generation resources they own that serve Zone 4 retire, it could imperil resource adequacy, unless state policy changes to prop up those resources with consumer dollars. What this line of reasoning ignores is that MISO already safeguards against the retirement of must-run resources under its existing System Support Resources "SSR" policy.

Retirements and suspensions are planned in advance and require MISO approval. The owner of a resource slated for retirement or suspension (collectively, “exit”) submits an Attachment Y to MISO. Then, MISO determines whether the planned exit poses a threat to reliability or not. If there is no such problem, MISO approves the unit to exit. If it finds the exit may threaten reliability, MISO and stakeholders seek out potential alternatives. If a feasible alternative exists, exit is approved. If not, MISO designates the plant as a “system support resource” (“SSR”), which means the resource is necessary for system reliability. MISO enters into an SSR agreement with the owner and submits that agreement to FERC for approval. Once FERC approves the SSR agreement, the resource runs and is compensated under the agreement’s terms. MISO is required to review an SSR designation annually. The SSR agreement stays in place until annual review shows that it is no longer necessary, at which time the SSR agreement will terminate and the resource may exit.<sup>17</sup>

Even if the worst scenarios dreamt up by generation owners were to become reality, the process already in place should suffice to prevent a true resource shortfall. SSR designation is a costly last resort for an emergency condition because the out-of-market payments SSR units receive exceed market prices. However, nothing presented in the proceedings to date suggests the need to designate SSR resources is likely to arise in the coming years, and even under such dire circumstances, the burden of SSR designation would

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<sup>17</sup> MISO, *System Support Resources: Power Generation Unit Retirement Process* (Feb. 11, 2015),

<https://www.misoenergy.org/Library/Repository/Communication%20Material/One-Pagers/One%20Pager%20-%20SSR.pdf>.

be temporary. In the event of such a resource shortfall, capacity prices would rise, sending a price signal to owners and potential alternative resources. Once a feasible alternative comes online, resource adequacy would be ensured once again under the new market equilibrium conditions.

One crucial cost-saving advantage to MISO's existing SSR policy is that, unlike proposed bailouts like HB 4141 and SB 2250 that commit ratepayers long-term to pay for hypothetical problems in advance, SSR payments go to resources found to be truly must-run and serve only as a stopgap until a lower-cost alternative becomes available.

### **Capacity Auctions Are Not the Only Means to Ensure Resource Adequacy**

Throughout these proceedings, resource adequacy conversations have focused on the planning resource auction ("PRA"), but the PRA is not the only way resources come to serve load in Zone 4. In order to have a robust discussion of what capacity is available in Zone 4, we must also consider capacity made available through fixed resource adequacy plans ("FRAP"), zonal resource credits ("ZRC"), and self-supply, as well as the PRA. Resources procured outside of the capacity construct serve load in Zone 4 and always have. As this process moves forward, CUB urges the Commission not to fixate on the PRA as if it were the exclusive means to secure capacity. The PRA is not even the primary driver of capacity commitments in Zone 4, let alone the only one. As Illinois Industrial Energy Consumers cited in their pre-workshop comments, the PRA provided only 14.7 percent of the total capacity requirement



for MISO Zone 4 in the 2017/2018 auction year.<sup>18</sup> The remaining over 85 percent of capacity was acquired through Fixed Resource Adequacy Plan submissions and self-supply. By focusing narrowly on the PRA, proceedings on how resource adequacy is met in Zone 4 would ignore most of what is relevant.

## Conclusion

Having reviewed all stakeholder comments and participated in the December 7 workshop, CUB reaffirms the conclusion of its pre-workshop comments that “there is no pressing need for intervention to address resource adequacy in MISO Zone 4.”<sup>19</sup> CUB recommends that the Commission continue to monitor resource adequacy moving forward and not call for intervention until that monitoring evinces a near- or mid-term problem. Otherwise, consumers would be asked to pay greater costs for no added grid value. In saying so, CUB echoes not only its own established stance, but the consensus of stakeholders.

Sincerely,



Kristin Munsch  
Deputy Director  
CITIZENS UTILITY BOARD  
309 W. Washington, Suite 800  
Chicago, IL 60606  
(312) 263-4282  
kmunsch@citizensutilityboard.org



Eric DeBellis  
Attorney & Policy Advisor  
CITIZENS UTILITY BOARD  
309 W. Washington, Suite 800  
Chicago, IL 60606  
(312) 263-4282  
edebellis@citizensutilityboard.org

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<sup>18</sup> Ill. Indus. Energy Consumers, Resource Adequacy in MISO Zone 4 Pre-Workshop Comments 2 (Nov. 30, 2017).

<sup>19</sup> Citizens Util. Bd., Comments on the ICC Whitepaper on Resource Adequacy in MISO Zone 4 at 5 (Nov. 30, 2017).